

An aerial photograph of a coastal town at sunset. The town is built on a hillside, with houses and trees visible. In the background, there is a large body of water and a range of mountains under a colorful sky transitioning from blue to orange and red.

# **Insurer Perspective:**

## Insurance availability and affordability, wildfires and mitigation

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Wildfire Mitigation and Resiliency Standards Work Group  
Washington OIC

August 19, 2025

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# The Market:

## *The Current State of Insurance Across the U.S.*

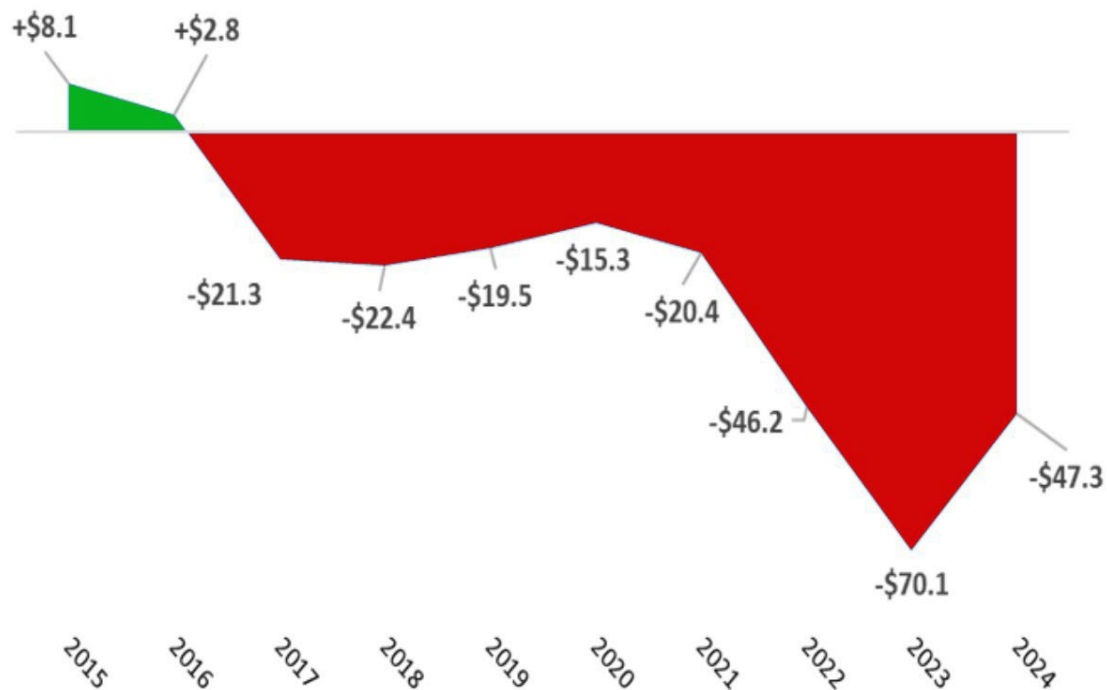




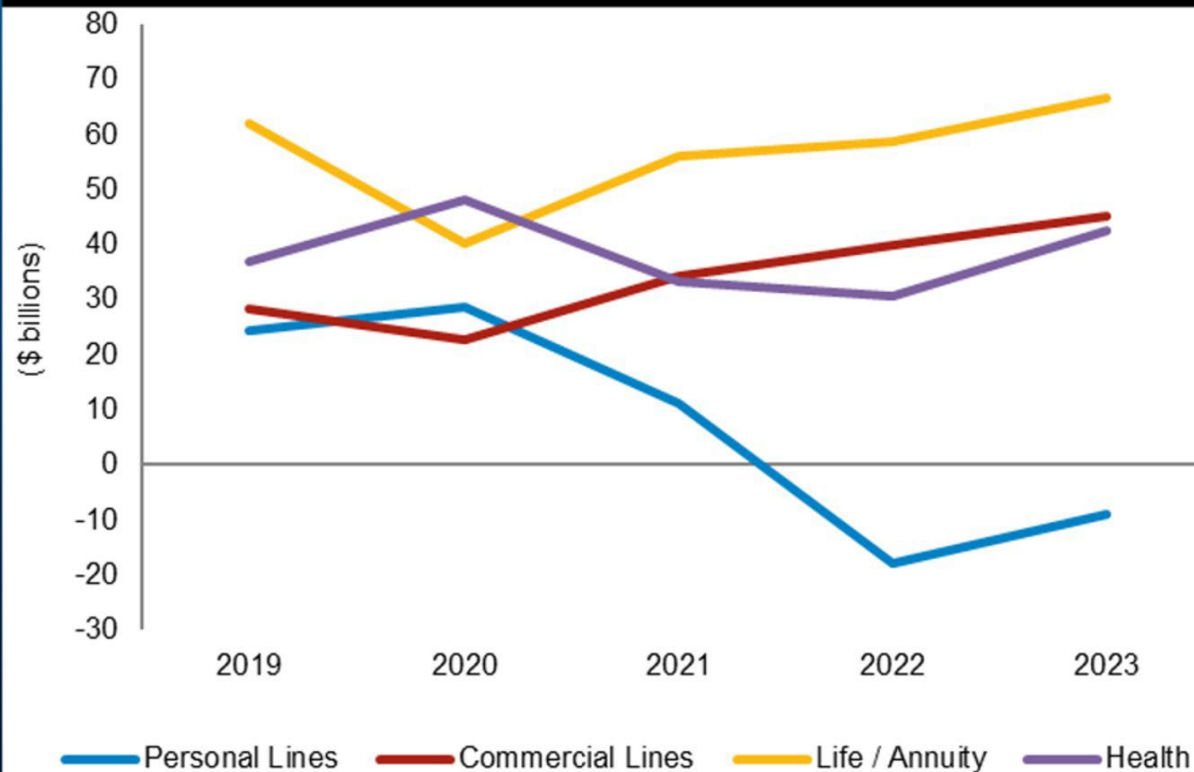
# Industry Results

## Cumulative Ten-Year Underwriting Losses

Billions



## Pretax Operating Gains by Segment



Source: **BESTLINK**

Net Reported Underwriting Gain or Loss after Policyholder Dividends, 2015-2024. S&P Global data as of April 10, 2025.



# Profitability: A.M. Best **Segment Outlooks** Personal Lines Insurance (December 2024)



## Personal lines insurance just upgraded from Negative

- Negative outlook since September 2022 recently upgraded to **Stable**
- Underwriting losses: 2022-2024(est.) = **-\$40/48/21 billion**
- Upgrade due to Auto Segment improvement



## Homeowners insurance outlook = **Negative**

- 5 consecutive years of underwriting losses
- Reasoning includes - inflationary impact on loss costs, elevated severe weather activity, and adjustments to reinsurance pricing and programs



## Underwriting Profit/Loss *Washington vs Countrywide (2019 to 2023)*

|                                   | Underwriting Profit/Loss<br>Washington vs. Countrywide |              |              |               |               |
|-----------------------------------|--|--------------|--------------|---------------|---------------|
|                                   | 2019   | 2020         | 2021         | 2022          | 2023          |
| <b>WA Private Passenger Auto</b>  | <b>3.6</b>   | <b>12.8</b>  | <b>3.1</b>   | <b>(15.3)</b> | <b>(16.6)</b> |
| CW Private Passenger Auto         | 1.5  | 7.6          | (1.5)        | (12.1)        | (5.6)         |
| <b>WA Commercial Auto</b>         | <b>(1.5)</b>   | <b>7.7</b>   | <b>7.4</b>   | <b>3.1</b>    | <b>2.2</b>    |
| CW Commercial Auto                | (8.7)  | (2.7)        | (0.5)        | (5.3)         | (10.1)        |
| <b>WA Homeowners</b>              | <b>8.8</b>   | <b>10.6</b>  | <b>2.4</b>   | <b>(12.2)</b> | <b>(8.2)</b>  |
| CW Homeowners                     | 5.7  | (3.3)        | (5.4)        | (6.2)         | (3.7)         |
| <b>WA Commercial Multi-Peril</b>  | <b>(1.4)</b>   | <b>(6.7)</b> | <b>(2.3)</b> | <b>(8.9)</b>  | <b>(16.5)</b> |
| CW Commercial Multi-Peril         | (1.3)  | (6.2)        | (3.8)        | (1.4)         | (6.1)         |
| <b>WA Total Property Casualty</b> | <b>5.8</b>   | <b>9.4</b>   | <b>3.4</b>   | <b>(2.3)</b>  | <b>(5.7)</b>  |
| CW Total Property Casualty        | 3.6  | 2.4          | 1.7          | (2.0)         | 0.0           |

### Washington results:

- Elevated underwriting losses in the last five years
- Very significant losses in **private auto** and **property lines** (homeowners and commercial), including some years **higher than countrywide**.





# Question: Is there a Property Insurability Crisis? Will Consumers Be Able to Purchase Insurance?

“Extreme weather patterns caused by climate change have led [insurers] to stop writing coverages in some regions... [and] say they will cut out damage caused by hurricanes, wind and hail... along coastlines and in wildfire country”

- *Washington Post*





# What is Causing Increased HO Losses

*It's not just the weather*



## MACROECONOMIC PRESSURES

- Economic growth
- 40-year record inflation
- More severe inflation for building materials/labor



## CLIMATE

- Demographic shifts to disaster-prone regions
- Increasing weather severity

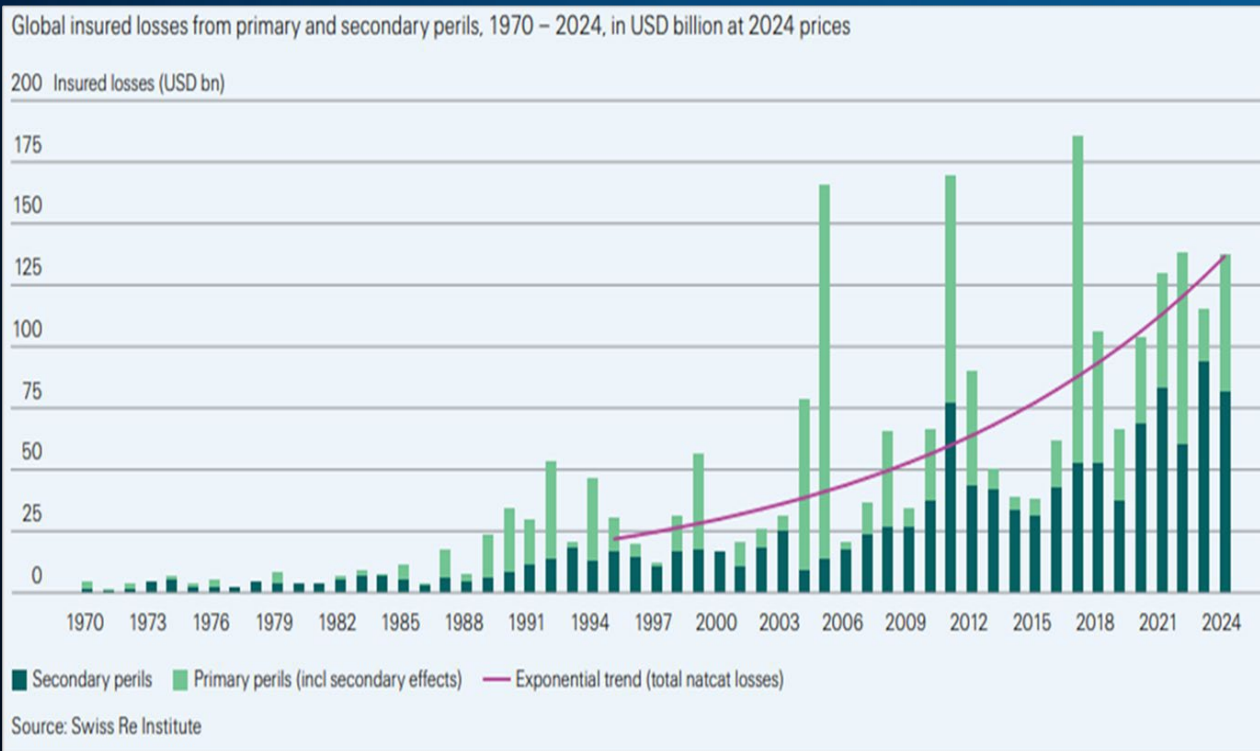


## GOVERNMENT RISK

- State coverage mandates, rate suppression, legal system costs

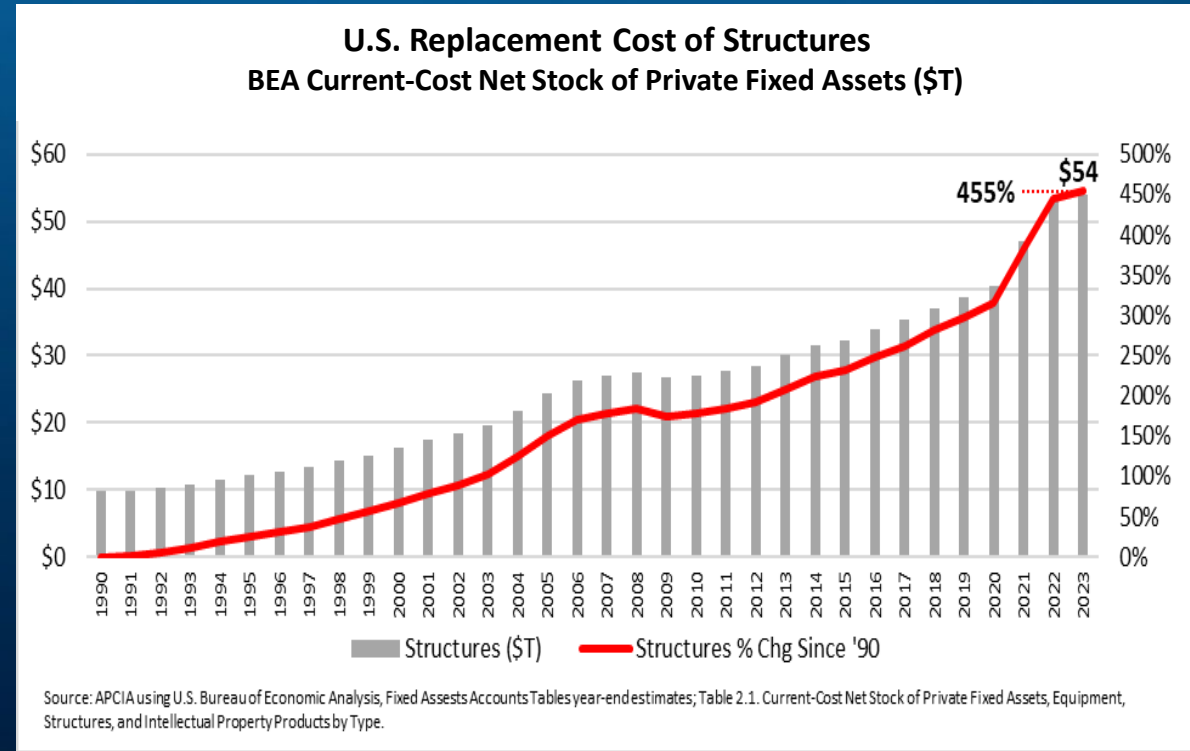


# Increasing Cat Losses / Rebuilding Costs



Annual Global Insured Natural Catastrophe Losses  
**DOUBLED** in the last decade

U.S. Share = **73%** in last five years (2020-2024)



U.S. Replacement Cost of Structures  
**MORE THAN DOUBLED** in the last decade

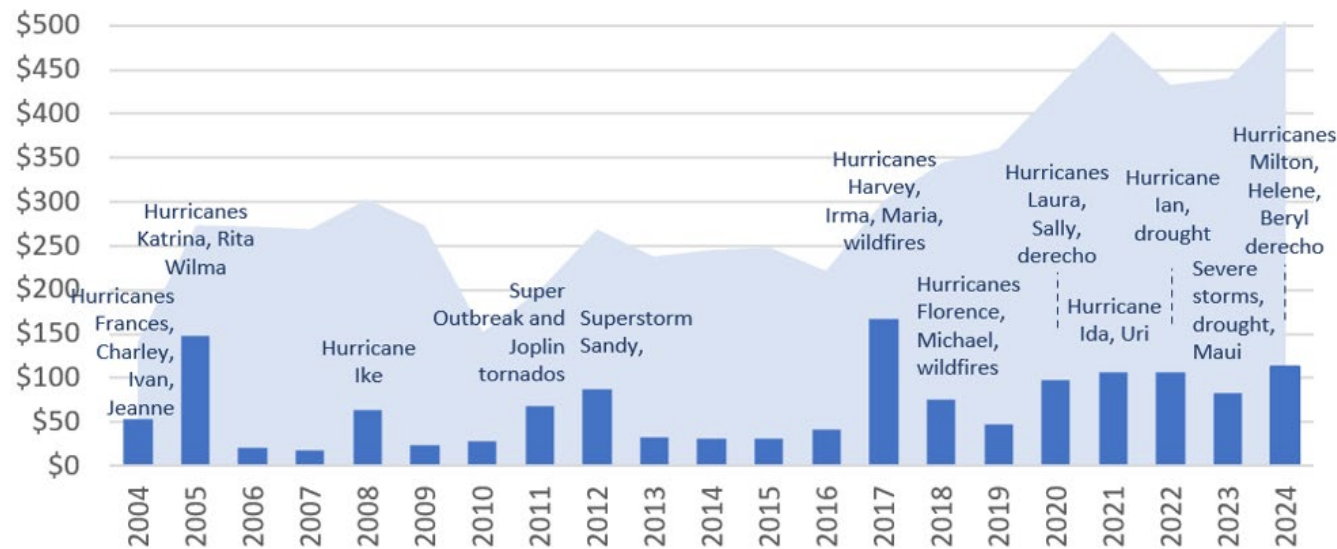




# U.S. Natural Catastrophe Losses

*Costliest 5-year period ever for U.S. insurers (\$505.9 billion since 2020, in 2024 dollars)*

**U.S. Insured Natural Catastrophe Losses 2004-2024**  
(USD Billions, in 2024 prices)

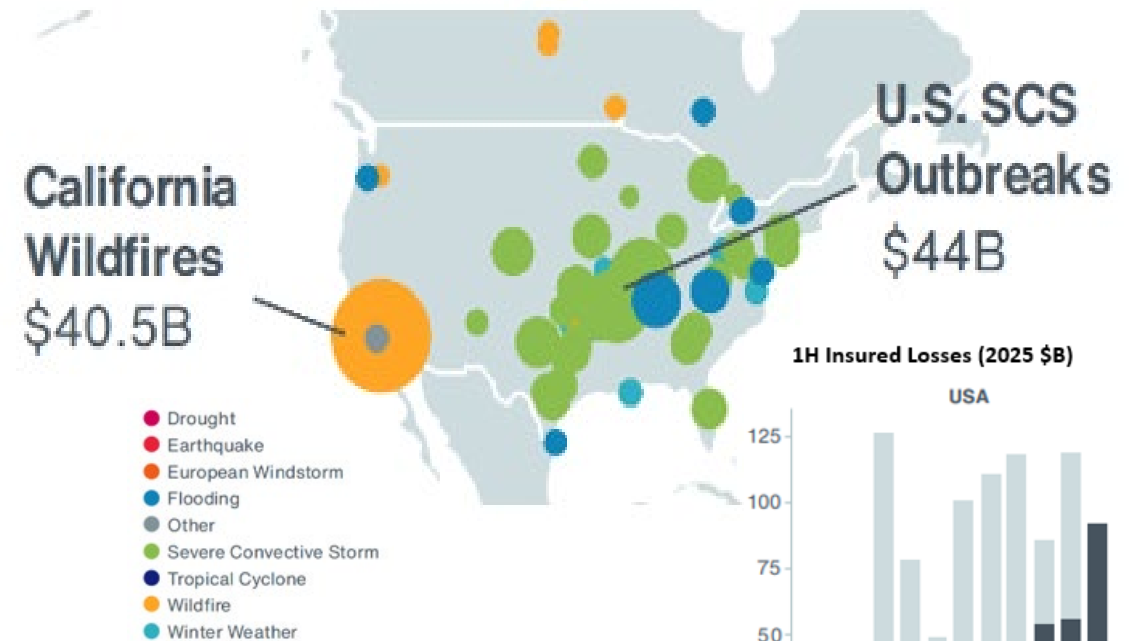


Data Source: APCIA, via Aon Climate & Catastrophe Insight

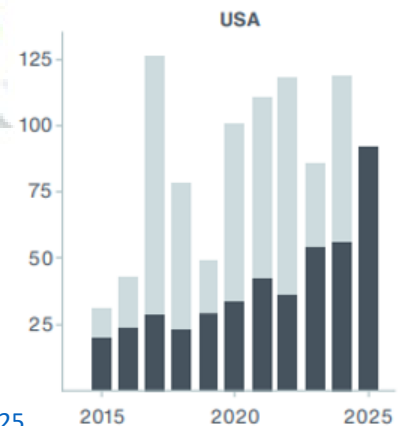
Includes 50 U.S. States & Territories (Puerto Rico, U.S. Virgin Islands and other U.S. territories)

■ Annual Losses ■ Rolling 5-Year Total

**H1 2025 - Billion Dollar Weather and Climate Events**  
(Insured Loss Events)



**1H Insured Losses (2025 \$B)**

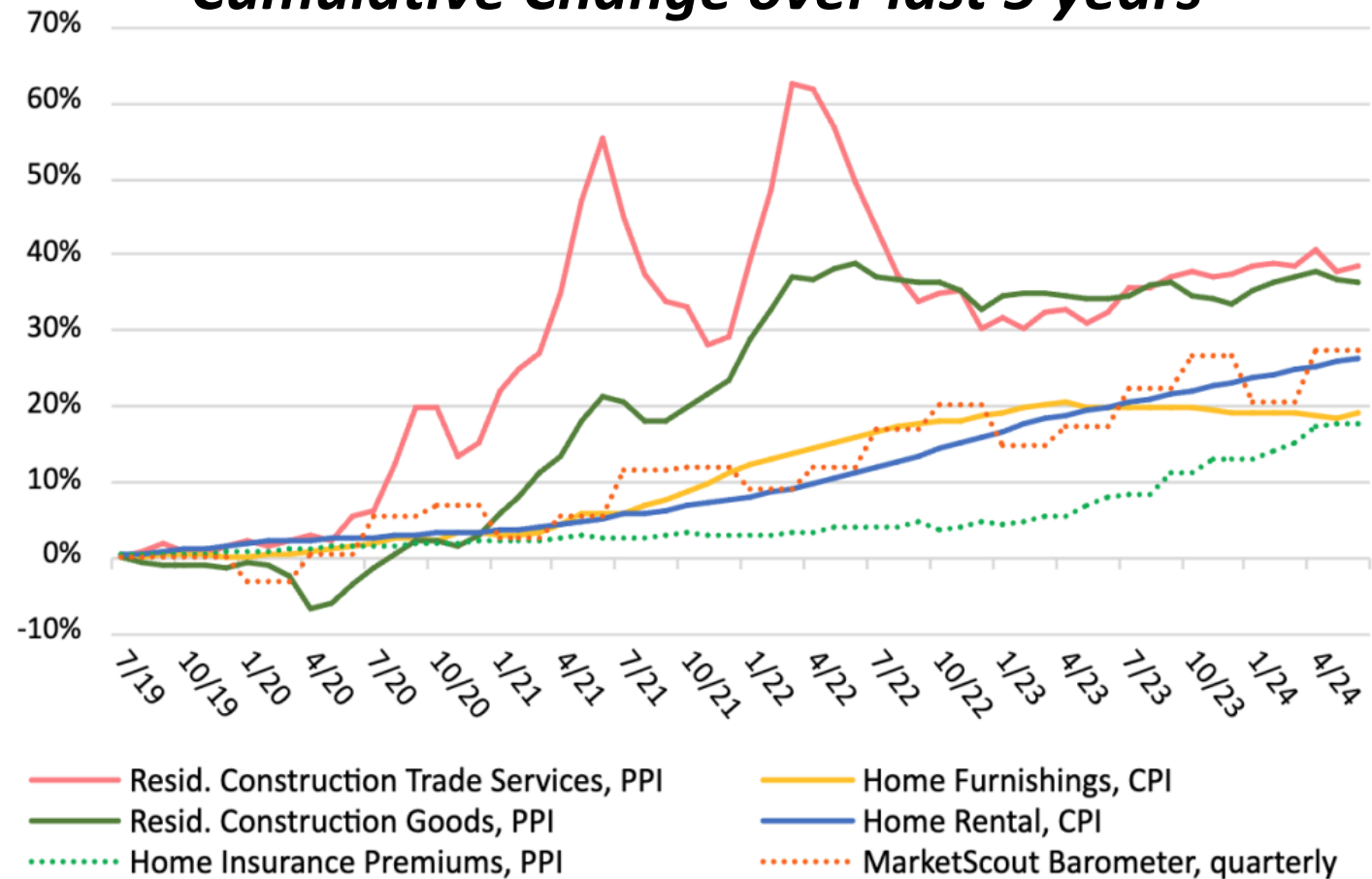




# Residential Home 'Replacement Costs'



## *Cumulative Change over last 5 years*

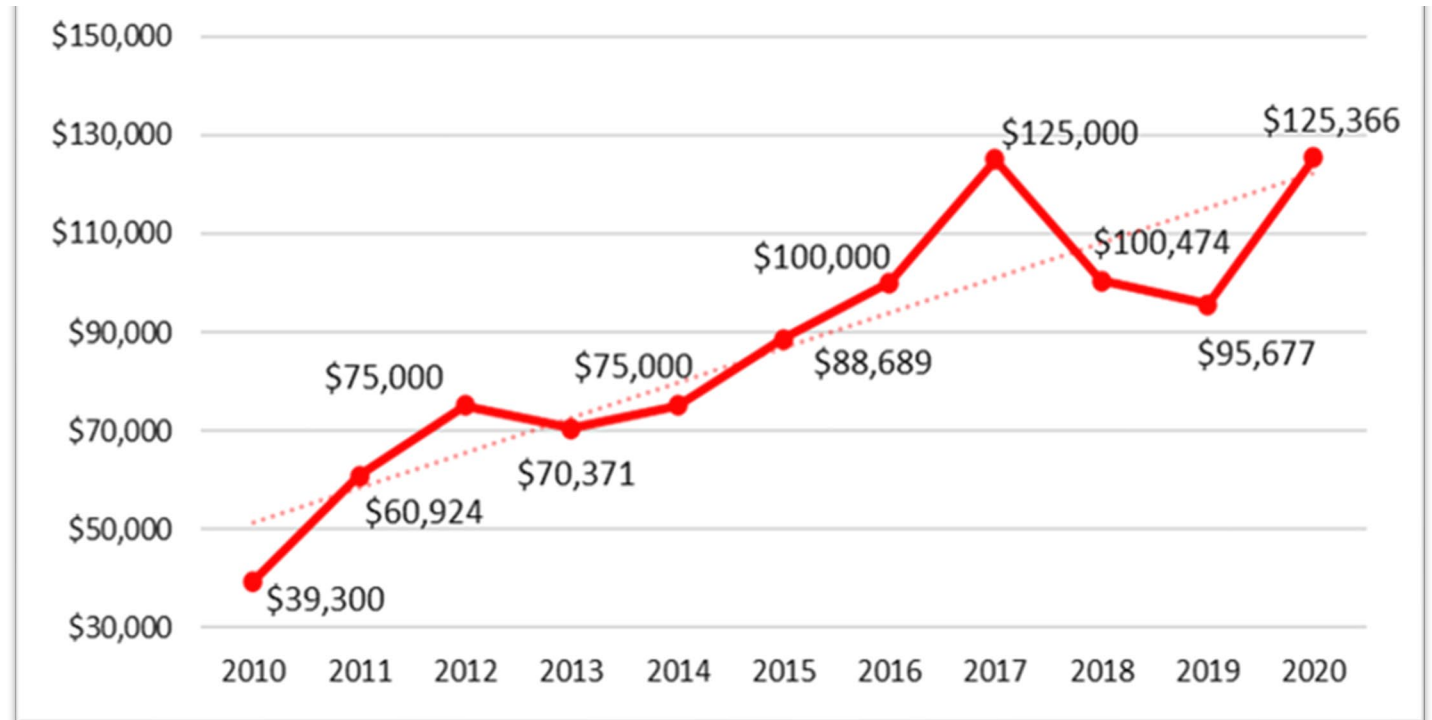




# Legal System Costs Are Increasing



Median Personal Injury Judgement

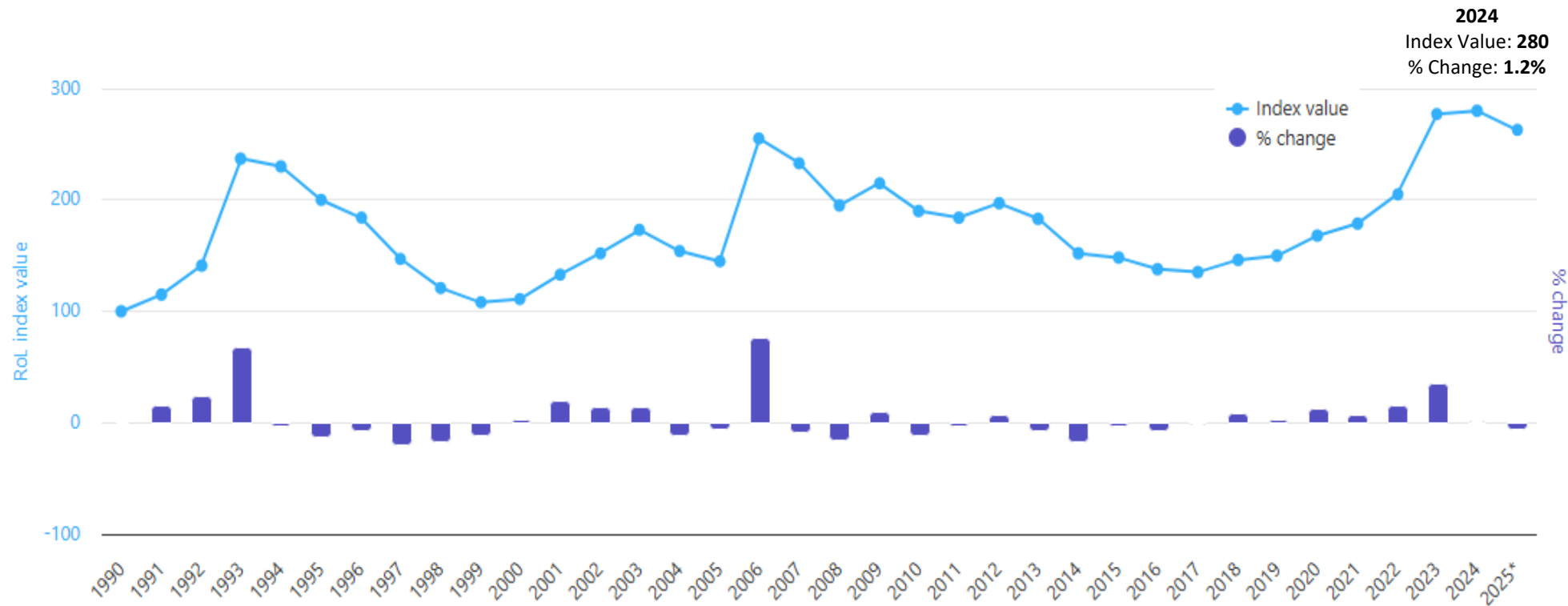


Source: *Current Award Trends in Personal Injury* and Insurance Information Institute





# U.S. Property Catastrophe Rate-on-Line Index



Since 2017, the RoL Index **increased 107%**, more than doubling property catastrophe reinsurance costs.

In 2023, the RoL Index **increased 35%**, the largest increase in 17 years in risk-adjusted US cat reinsurance pricing.

Source: Data from Guy Carpenter, presented by Artemis.bm

Source: <https://www.artemis.bm/us-property-cat-rate-on-line-index/>



# Insurance Availability Pressures

*Property insurance demand and costs are increasing; capital is decreasing*

## DEMAND = INCREASING

- Higher Rebuilding Values
- Demographic growth/shifts
- Inflation
- Worsening weather
- Legal System Costs



## SUPPLY = DECREASING

- Rate delays/ suppression  
(1 to 2-year lag time for rate filings, approvals, and rolling into new policies)
- Premiums falling behind losses
- Less surplus
- Lack of profitability + volatility =  
Deters new investment capital







# Insurer View: Issues and Proposed Solutions

## Affordability

*Rising Costs*



## Availability

*Ability to Manage Exposure*

### Higher Loss Costs

Economic inflation, legal system abuse, claims fraud

### Growth in Exposure

Laws broadening policy coverage benefits and timeframes to collect benefits, community development in fire-prone regions

### Changing Environmental Conditions

Climate risk (extreme heat, precipitation events, and drought), combustible fuel sources (natural & built environment)

### Cost of Capital

Reinsurance, catastrophe bonds, ILS, interest rates, etc.

### Regulatory Compliance Burden

Mandatory disclosures, appeals process

### Rate Adequacy

Untimely rate filing approvals from regulators, potential assessments from residual market and guarantee funds

### Surplus Capital and Risk Transfer Capacity

Surplus reserves, reinsurance retention and terms

### Underwriting or Claims Handling Constraints

Laws or post-disaster moratoriums limiting non-renewals & cancellations, or imposing stricter claims handling expectations and penalties

### Access to Catastrophe Risk Management Tools

Catastrophe models to help identify & price individual risk and aggregate losses, inability to reflect cost of reinsurance in rating





# Survivability = Insurability

*Insurers are leading efforts to mitigate risks, to make communities more resilient*

- Working with federal & state policymakers
- Supporting resiliency & mitigation programs, such as infrastructure improvements and wildfire solutions
- Advocating for stronger building codes & land use policies
- Funding science-based research into risk mitigation
- Advocating for financial support to increase resilience for vulnerable populations
- Investing/underwriting in climate and renewable technology



# Seeing the forest through the trees

## *Wildfire risk is the problem; Insurance is a symptom*

- ***Home and Renters' policies were stable for years:*** From 2013-2020, average premiums were *equal to or lower than* the Consumer Price Index.
- ***Record claims costs from catastrophes:*** Insurers responded with premium increases, underwriting restrictions. Stabilizing the market is a goal of HB 1539.
  - ***Keys to addressing availability:*** Adequate rates, catastrophe risk management tools (including catastrophe models and risk scores), coordinated mitigation/resiliency to improve risk awareness & build insurer confidence.
  - ***Keys to addressing affordability:*** Insurer confidence improves risk tolerance, attracts insurers to enter and/or remain active in markets, leads to competition and price stability. Meaningful reduction in losses and related actuarially-supported discounts reflecting risk reduction.





# Stakeholder Alignment on Policy Priorities

## *Communities*

- ***Where and how we build:*** Improve land use policies, adopt and enforce building codes/defensible space.
- ***Risk awareness:*** Updated wildfire hazard maps and related hazard disclosures.
- ***Resources:*** Assistance/financial incentives for mitigation.

**Key elements:** Alignment and rooted in science...

IBHS Wildfire Prepared Home/Neighborhood – aligned and integrated with existing prevention & mitigation efforts (Firewise, DNR, Fire responders & community-based resiliency organizations).

## *More information for consumers*

- ***Consumer education:*** Information for consumers about wildfire risk and impact on availability and cost, plus access to information about parcel and community level mitigation for insurers.





# Financial Incentives for Resilience



- ✓ **Grants** – States or local communities can establish resilience grant programs to help property owners. Programs could include a cost-share match from the property owner or through a public-private partnership.
- ✓ **Low interest loans** – States or local communities can establish a revolving fund that helps provide loan interest loans for resilience projects. Alternatively, incorporate funding for mitigation into mortgage costs, to spread over 20-30 years (i.e., points or better rates) or through home equity lines of credit (HELOC).
- ✓ **Waive/reduce fees** – Communities can provide a rebate, waive, or reduce building permit fees or the cost of designation program inspections, for properties that achieve a qualified resilience designation, such as IBHS FORTIFIED or IBHS Wildfire Prepared Home.
- ✓ **Tax credits** – States or local communities can provide a variety of tax credits, such as income tax credits for costs to retrofit homes or businesses, sales tax credits for materials purchased to retrofit, or property tax credits for properties that achieve and/or maintain a resilience designation, such as IBHS FORTIFIED or Wildfire Prepared Home.
- ✓ **Insurance Incentives** – States can encourage insurers to provide premium credits for resilience actions.
- ✓ **Return on Investment** – States and local communities can promote increased property resale values, improved insurability, avoided loss costs, such as insurance deductibles or other loss related expenses that may occur following a disaster and reduced risk of mortgage delinquencies.



# Focus on the ‘Low-Hanging Fruit’

## New Construction & Reconstruction

- **Mitigation Costs:** can be financed into mortgage and spread over time
- **Enforcement:** Building codes and ordinances
- **Emotional Barriers:** No existing attachments to vegetation



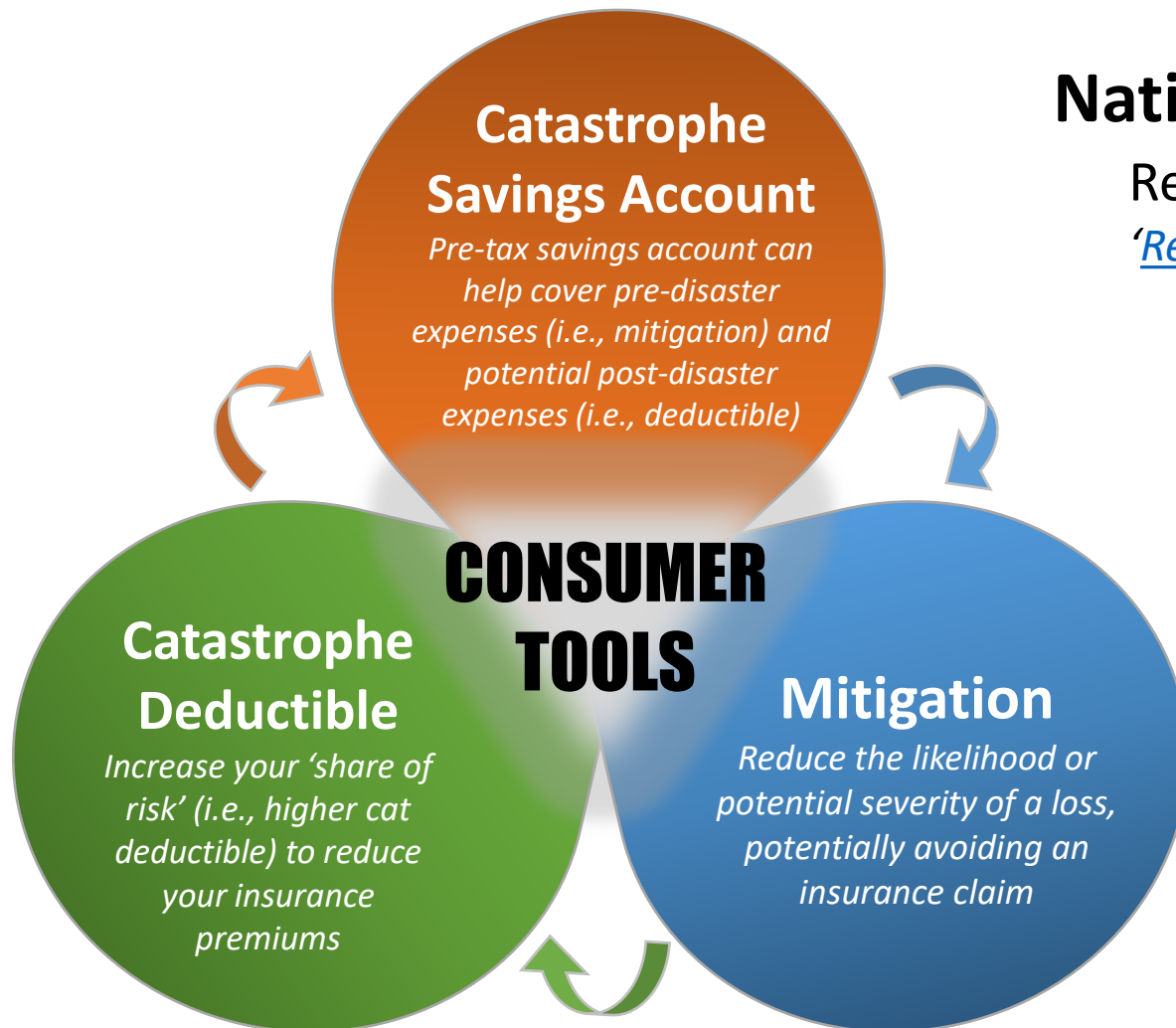
## Change of Ownership

- **Mitigation Costs:** can be financed into mortgage and spread over time
- **Enforcement:** Defensible space inspection requirement as part of the closing and hazard disclosure (Ex: CA 2019 [AB 38](#) and inspection [form](#))
- **Emotional Barriers:** Breaks emotional attachment to vegetation adjacent to home\*

(\*local fire officials suggest this is the most difficult barrier to overcome)



# Consumer Resilience Strategy



## National Conference of Insurance Legislators

Resolution approved in November 2024

[‘Resolution in Support of Establishing Catastrophe Savings Account’](#)

- Urges state and federal legislation to amend tax codes to support pre-event mitigation and post-event recovery.
  - Existing laws in Alabama, Mississippi, and South Carolina.
  - Legislation introduced in several states and federal.



# THANK YOU

**Kenton Brine**  
Northwest Insurance Council

**Karen Collins**  
American Property Casualty Insurance Association







# Insurance Institute for Business & Home Safety (IBHS)

**WILDFIRE PREPARED**  
— A PROGRAM OF IBHS —

**ADDITIONAL MITIGATIONS AGAINST FLAMES**

- ✓ Cover gutters.
- ✓ Enclose eaves.
- ✓ Install noncombustible siding.
- ✓ Upgrade windows & doors.
- ✓ Upgrade to a noncombustible deck.
- ✓ Move accessory structures at least 30 feet away.
- ✓ Remove back-to-back fencing.

**MITIGATIONS AGAINST EMBERS**

**ROOF**

- ✓ Ensure the roof covering is Class A fire-rated & maintained clear of debris.
- ✓ Choose noncombustible gutters & downspouts.

**BUILDING FEATURES**

- ✓ Install ember-resistant vents or 1/8-inch metal mesh over vents.
- ✓ Ensure 6-inch vertical noncombustible clearance at base of exterior walls.
- ✓ Clear & maintain the underdeck area; enclose low-elevation decks.

**0-5 FOOT NONCOMBUSTIBLE ZONE**

- ✓ Establish a **0-5 foot noncombustible zone** around the home and decks; remove overhanging branches; replace combustible fences within 5 feet.

**5-30 FOOT DEFENSIBLE SPACE ZONE**

- ✓ Maintain yard with spaced vegetation, structures, & other connective fuels; clear debris; remove firewood.
- ✓ Move structures at least 10 feet away & maintain a 0-5 foot noncombustible zone around them.

Gardner, Jennifer (External)





# Insurance Institute for Business & Home Safety (IBHS)

